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8 NOV 1963

MEMORANDUM FOR:

Comptroller
National Reconnaissance Office

SUBJECT

: Additional Comments Regarding the O/K/W Spares
and ECO/ECP Forecast for Fiscal Year 1965

REFERENCE

: Memo dtd 18 Oct 63 for [redacted] Compt, NRO,
fr J. A. Cunningham, Jr., Actg Dir, Program B,
NRO, subj: "Fiscal Year 1965 Funding Forecast."
[redacted] 3474-63)

1. A re-examination of the referenced forecast and a further study
of the factors involved in our O/K/W spares and ECO/ECP estimates recon-
firm our original conclusion that the submissions were valid.

Fiscal Year 1965

O/K/W ECO/ECP

O/K/W Spares, Ground Support Equipment

2. The following outlines our rationale:

a. Spares: O/K/W contracts were initially funded for
a minimum amount of spares. This value was far below
normal spares provisioning. There are several reasons
for this. First, due to the advanced state of the art of the
hardware involved, it was deemed advisable to provide a
very minimum of spares to support the aircraft during the
flight test development program rather than risk expensive

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scrappage and/or costly rework of large quantities of unproven spares components. Second, there is little operational information available in the environment in which we will be flying, and none with certain exotic materials used in aircraft components (representing the major cost portion of spares). As a result, no accurate component life expectancy can be determined to provide a basis to calculate the percentage of spare parts required per ship. Further, because of fiscal and total contract funding limitations restricting the three airframe contracts, the budgets for spares were arbitrarily reduced in preceding years. The consensus was that as the program progressed and as components were proven acceptable, additional funding would be provided to bring the spares inventory to the required operational level. To date, a total [] [] has been funded through the three airframe contracts to provide for original minimum spares, ground handling and mission support equipment.

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Lockheed's recommendation for Fiscal Year 1964 support contract funding indicated that there has been [] [] purchased equipment (excluding associate prime and vendor spares and raw materials) procured for the three airframe contracts. Based on experience, they predicted that approximately [] of this value would be required to procure additional airframe spares and ground support equipment and to retrofit existing spares during Fiscal Year 1964. There has been a great deal of discussion between LAC and their several customers as to whether this figure is too high or too low. LAC contends, and we agree, [] is an appropriate mid-point of the estimates mentioned by those involved. When we consider the Fiscal Year 1964 budget cutback in spares provisioning along with the increased quantity of aircraft and the steady increase in operating time on each aircraft, we forecast that there will be no significant reserve of spares carried forward from Fiscal Year 1964 to Fiscal Year 1965. It is mandatory, therefore, that we proceed in Fiscal Year 1965 to build the essential spares required in an operational program. We feel that the LAC estimate [] for spares is reasonable in light of the above.

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b. ECO/ECP: It has been Lockheed's practice to exclude from airframe contract proposals of the O/K/W type the customary contractor estimate of a fixed percentage value of ECPs. In our programs, LAC has always submitted ECPs when a clear scope change was identified; therefore, the three airframe contracts in this program did not include ECP funding.

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3. In accordance with the foregoing, it is my strong recommendation that the forecasted amounts for spares [redacted] and ECP/ECOs [redacted] be accepted in the Fiscal Year 1965 budget for the O/K/W programs.

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[redacted] (Signature) Jack C. Ledford

JACK C. LEDFORD
Colonel USAF

Director, Program B, NRO

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